

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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(FOR KEY SEE REVERSE)

The East German Council of Ministers made the following decision on 17 February 1955:

Decision Concerning the Price Adjustment for Pig Iron, Crude Steel and Rolling-Mill Products

In order to raise the operational profitability of the entire iron producing industry as well as of the individual production phases such as pig iron, steel and rolled steel production, and thereby also maintain profitable operations in the majority of plants, it is necessary to change the prices for ferrous metals (Schwarzmetalle). The Praesidium of the Council of Ministers there decrees: 25X1

I

The average prices (Durchschnittspreise) listed in Annex 1 for pig iron, crude steel, semi-finished and rolling-mill products are hereby confirmed. 25X1

II

The Ministry for Heavy Industry is instructed to work out by 15 March 1955 a new price list for pig iron, crude steel, semi-finished and rolling-mill products on the basis of these average prices. This new list is to be effective as of 1 April 1955. In this price list, the amount of increase specified in Annex 2 is not to be exceeded. 25X1

III

The customer ministries and other scheduled consumers will absorb the price increase through their remittances to the State Budget. The remittances to the Budget may be lowered solely in the amount of the difference between the old and the new price.

IV

The Ministry for Heavy Industry is instructed to set the price for ^{iron} products (Nutz Eisen) in relation to the new average prices (Annex 1).

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(NOTE: Washington distribution indicated by "X"; Field distribution by "#".)

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V

The Finance Ministry has been instructed to make subsidies available to customers of the nationalized industries who are without budget reserves (Haushaltsakkumulation) and to customers whose budget reserves are inadequate.

VI

The price increase for iron and steel is not to lead to an increase in the prices to the final consumer.

VII

The Ministry for Finance is instructed to handle the price increases in rolled products as follows with regard to private enterprise:

- a. If the profit of the private enterprise is in excess of 6% at the moment, the price increase will be charged against the profits.
- b. If budget surcharges (Haushaltsaufschlaege) have been claimed on a product, this surcharge will be reduced by the amount of the price increase for rolled products.
- c. If the possibilities mentioned in a. and b. do not exist or do not cover the entire amount, the increase or the remainder of this charge is to be charged to taxes to be paid. The stock of rolling mill products on hand in the private enterprise is to be inventoried as of the date of the introduction of the new prices. The amount of difference between the old and the new price total will be left with the enterprise as an interest-bearing state loan and is to be paid off by arrangement within five years at the latest.

VIII

The Ministry for Finance is instructed to work out a ruling for handling the rolled products price increases with regard to the artisan (Handwerk) industry from the following stand-point:

The supplying of artisan trades with fixed quotas of rolled products through the artisan cooperatives be done at the old prices. The difference between the old and new prices is to be made up out of the State Budget. A stock increase in artisan enterprises is not to take place. As a consequence, there will not be a price increase in the artisan enterprises.

IX

The price increase for cast and forged pieces and for drawn steel wire will be a further calculation based on the semifinished product. A new price list will be worked out by 30 September 1955.

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Annex 1

Price Suggestion

<u>Product</u>	<u>Former Prices</u>		<u>Suggested Price</u>	
	Basic price for standard analysis	Average pro- ceeds by 1954 Plan (inc. mark- up)	Average price (inc. markup)	
<u>Pig iron</u>				
Thomas pig iron	73.	--	200.	
Foundry pig iron I	80.50			
Foundry pig iron III	75.	81.30	300.	
Foundry pig iron IVa	74.			
Foundry pig iron IVb	73.			
Hematite	87.50			
Spiegeleisen	93.	97.96	350.	
Steel pig 2-3Mn	95.	98.15	265.	
<u>Crude steel</u>				
Thomas steel	100.40	177.	230.	
SM-crude steel, unalloyed	104.80	--	240.	
SM-crude steel, alloyed	--			
Electric steel, unalloyed	140.90	197.72	275.	
Electric steel, alloyed	--	380.42		
<u>Semi-finished products</u>	<u>Basic price in Thomas goods</u>			<u>Basic price in Thomas goods</u>
Blooms and ingots	107.20	138.19	286.	
Billets (Knuspepel)	113.60			
Sheet billets (Platinen)	118.30			
<u>Rolling-mill products</u>				
Shaped steel	132.50	140.80	342.	393.
Railroad track material	142.40			
	201.50	145.91		
Round bar steel	135.	158.65	365.	403.
Strip steel	155.10	201.40	370.	465.
Rolled wire	147.40	168.44	408.	415.
Tire steel	--	299.80		
Rough sheets	157.	214.07	447.	524.
Medium sheets	160.70			
Commercial thin sheets	169.			
	245.			
High-quality thin sheet	257.			
	546.			
Electric sheet	282.			
	730.			
Pipe	497.			
	1225.	327.83	645.	
Special steels		226.78		
Cold-rolled products		520.40		
Bright steel	205.			
Nutzeisen (irons)		115.		

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Annex 2

Contrast of the Old and New Prices for
Foreign MarketsEast German Production

<u>Product</u>	<u>Quantity in tons</u>	<u>Proceeds from old price-in million DM</u>	<u>Proceeds from new price-in million DM</u>	<u>Price in- crease-in million DM</u>
Foundry pig iron	280,000.	22.8	84.	61.2
Steel pig	30,000.	2.9	8.	5.1
Speigelseisen	5,000.	.5	1.8	1.3
Steel ingots (Stahlbloeske)	93,202.	11.1	24.7	13.6
Electric steel ingots (Elobloeske)	16,000.	1.9	4.	2.1
Semi-finished products	131,000.	19.5	37.5	18.
Rolling-mill products	1,521,621.	290.8	638.3	347.5
		349.5	798.3	448.8
				Loss from foundry pig iron (sic) \$ 32.4
				481.2

Imports

Foundry pig iron	100,000.	8.1	30.	21.9
Steel pig	43,500.	4.2	11.5	7.3
Rolled products	627,750.	141.4	363.2	221.8
		153.7	404.7	251.

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